

Improving Financial Integrity in Human Services Agencies

Just like customers who steal from stores, a certain amount of fraud and embezzlement by recipients of services or vendors who do business with public and private human services agencies is expected. Naturally, efforts are made to eliminate such losses, and, of course, the resulting news headlines are embarrassing.

Human services agencies also experience losses from their own employees. These incidents generate equally humiliating bad press:

“... *Social Services embezzlement: Former employee sentenced to 27 months*”¹

“*Former head of foster care agency found guilty of embezzling nearly \$1 million*”²

“*Human services employee arrested on embezzlement and related charges*”³

“... *Department of Human Services supervisor charged with embezzling funds by buying groceries*”⁴

Examples of fraud may include such things as:

- Improperly using agency money, credit cards, or vehicles
- Tendering or signing a false affidavit or certificate
- Making an entry or alteration of a public record knowing it to be false
- Falsely representing oneself as a current employee of an agency when no longer employed by that agency.

Employees may face criminal charges because they do not understand their agency’s policies or practices, because of sloppy bookkeeping or internal procedures, or because of purposeful fraud or embezzlement. There is no small measure of irony, that, in these times,



when human services agencies are trying to target their resources toward client services and do more with less, they must also be on guard for internal financial threats.

In the fraud prevention industry, there is what is known as the fraud triangle. It consists of three corners: pressure, opportunity, and rationalization. The belief is that if any of these items is present, there is a risk that fraud may occur. Let us look at each corner:

- Pressure is the belief by an individual that what he or she needs cannot be obtained through legitimate means.
- Opportunity is the capability of an individual to supersede controls to be able to misappropriate the agency’s assets.
- Rationalization is the thinking of an individual to legitimize or justify their improper behavior.

The National Insurance Crime Bureau reports that the “insurance industry estimates indicate that 10 percent or more of property-casualty insurance claims may be fraudulent. And fraud is the second-most-costly white-collar crime in America after tax evasion. These crimes add up to billions of dollars in fraudulent insurance claims every year.”⁵ How can human services agencies curb fraud and embezzlement? Here are some simple guidelines:

1. Consider establishing a fraud hotline, allowing employees and others to anonymously report possible wrongdoing.
2. Follow the example of large credit-card companies. They identify suspicious activity in real time. Using analytics and algorithms, they flag

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- anomalous transactions that can then be thoroughly investigated.
3. Segregate fiscal procedures. For monetary transactions over a certain amount, have one employee create an impending transaction, have another employee approve it, and have a third employee implement the transaction.
 4. Strategically locating security cameras may be an actual or psychological deterrent.
 5. Let all employees know about your agency's code of ethics and how violations of these guidelines will

- be disciplined. Have each employee sign a form verifying their receipt and understanding of this material.
6. Clearly delineate lines of delegated authority and responsibility.
 7. Where feasible, rotate key fiscal job responsibilities.

The phrase "Trust but verify," was made famous by President Ronald Reagan in 1987 at the signing of a disarmament treaty with Mikhail Gorbachev. Its application in addressing fraud and embezzlement in human services agencies may be very fitting today. 📌

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Reference Notes

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2. *The Oregonian*. <http://bit.ly/2SiDmCd>
3. *The Virgin Islands Consortium*. November 17, 2016. <http://bit.ly/2Tcvq9T>
4. Hoag, A. (June 28, 2012). Mlive. <http://bit.ly/2NmG74s>
5. National Insurance Crime Bureau. <https://www.nicb.org/prevent-fraud-theft>

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arena. Take Colorado's "I'm into" app, for example. The idea for this app emerged after the state's youth development plan identified a need to better connect at-risk youth with organizations in the state that can help them. Currently in development, the app aims to engage youth in the process of self-discovery, both to increase self-awareness and to elicit information needed to match them with the appropriate local organizations.

Because nonprofits and private providers offer the most robust resources, states should connect with these resources, and do so in frictionless way, so that no one slips through the cracks.

Looking Ahead

The transition to adulthood is a tumultuous one under the best of circumstances. It is often defined by struggles with identity, sexuality, and relationships. Mental health issues often first present during this time, and suicide is a major cause of death for older adolescents.

Add in the additional challenges that youth face in foster care, and it is easy to see why the stakes are so high for getting this critical transition right.

Increasingly, state and federal officials are affirming the need to do more for youth aging out of foster care. A portal that assembles a robust set of tools to holistically meet the needs of foster care youth, in a user-friendly and engaging way, can support states in their efforts and help them to accomplish even more.

Regardless of whether a state is replacing its child welfare information system, it can add a youth portal to its digital portfolio. The rewards, in terms of better outcomes for foster care youth, are well worth the effort. 📌

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1. iFoster. Retrieved from <https://www.ifoster.org/the-problem>
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